

## Message Text

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46

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SAJ-01 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 IO-14 NEA-10 NSAE-00

RSC-01 OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01

SWF-02 OMB-01 AEC-11 DODE-00 FEA-02 FPC-01 H-03

INT-08 L-03 NSC-07 PM-07 SAM-01 SCI-06 SS-20 STR-08

PRS-01 PA-04 USIA-15 DRC-01 /233 W

----- 128451

R 011434Z MAY 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 646

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGE

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY WELLINGTON

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E.O. 11652: NA

TAGS: ENRG, OECD

SUBJECT: OECD FORECASTERS MEETING: SHORT TERM IMPORT OUTLOOK

1. SUMMARY: MOST MAJOR OECD COUNTRIES INDICATED THEY STILL HIGHLY UNCERTAIN ON EXTENT OF ENERGY DEMAND REDUCTION THIS YEAR BECAUSE OF MUCH HIGHER PRICES. WHILE SECRETARIAT ESTIMATE OF 3 PERCENT DECLINE IN OECD OIL IMPORTS IN 1974 COMPARED 1973 NOT DORECTLY CHALLENGED, JAPAN, FRG, FRANCE, AND UK DID NOT ENDORSE ESTIMATE EVEN IN GENERAL TERMS. FEW COMMENTS MADE ON SHORT-TERM SUPPLY OR PRICES EXCEPT FOR JAPANESE ATTACK ON TWO-TIER PRICING BY COMPANIES (SEPTTEL).  
END SUMMARY

2. SECRETARIAT'S VIEW, REVISED SLIGHTLY SINCE PREPARATION OF DOCUMENT DES/NI/74.2, IS THAT, AS A RESULT OF PRICE EFFECTS, SLOW GNP GROWTH AND CONSERVATION EFFORTS, OECD MAJOR CONSUMERS WILL IMPORT 6.2 PERCENT LESS OIL DURING FIRST HALF OF 1974 THAN IN CORRESPONDING PERIOD OF PREVIOUS YEAR. BECAUSE OF RELAXED CONSTRAINTS AND MUCH FASTER GNP GROWTH, IMPORTS WILL INCREASE DURING SECOND HALF OF YEAR TO SAME LEVEL AS 1973. OVERALL 1974 PERCENTAGE DECLINE OF OIL IMPORTS BY MAJOR IMPORTERS WILL BE THREE PERCENT BELOW 1973.

3. OECD ESTIMATES ENERGY DEMAND FOR ALL OECD EXCEPT U.S. AND CANADA TO BE 6 PERCENT BELOW LONG TERM TREND, HALF THIS LEVEL BELOW FOR U.S. AND CANADA WHERE PRICE INCREASES LESS SEVERE. MARRIS NOTED THAT BECAUSE OF SIZE OF U.S. MARKET AND SUPPOSED CONCENTRATION OF ALL U.S. ENERGY SAVING ON IMPORTED OIL, OVERALL OECD IMPORTS SAVINGS WILL BE STRONGLY AFFECTED BY U.S. ACTION. IF U.S. CONSERVED PROPORTIONATELY TO OTHER MEMBERS, IMPORTS FOR ALL OECD COUNTRIES WOULD BE NO HIGHER IN FIRST HALF OF 1975 THAN THEY WERE IN 1973 AND PROBABLY CREATE WORLD OIL SURPLUS OF SOME SIZE. BUT UNDER THE BASE OECD ASSUMPTION FIRST HALF 1975 OECD DEMAND WILL BE UP SIX PERCENT  
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FROM 1973.

4. U.S.(BUSHNESS) NOTED THAT USG FORCASTS OF OUR ENERGY USE AND IMPORT DEMAND WERE VERY SIMILAR TO THOSE IN OECD STUDY. HOWEVER U.S. ESTIMATES OF GNP GROWTH RATE IN 1974 WERE MORE OPTIMISTIC THAN THOSE ASSUMED BY SECRETARIAT IN PREPARING OECD STUDY (DOWN POINT FOUR PERCENT FOR YEAR). BECUASE OF THE MANY UNCERTAINTIES IT

IS HOWEVER STILL TOO EARLY TO PREDICE U.S.  
ENERGY DEMAND.

5. FRG THOUGHT ITS 1974 IMPORTS WOULD DECLINE BY 5 1/2  
RATHER THAN 4 1/2 PERCENT BUT NOT CLEAR WHY. ON THE  
OTHER HAND FRANCE AND JAPAN THOUGHT THE EXTENT OF THEIR  
IMPORT CELUINES WERE SOMEWHAT EXAGGERATED. UK THOUGHT  
THAT OECD ESTIMATES OF ITS IMPORT DECLINE OF 13 PERCENT  
WERE GREATLY DISTORTED, AND CLEARLY TOO HIGH.

6. SEVERAL SMALLER COUNTRIES--NETHERLANDS, SWEDEN AND  
BELGIUM--THOUGHT THEIR DEMAND WOULD BE FURTHER BELOW TREND  
THAN PROJECTED BY SECRETARIAT, MAINLY ON BASIS FIRST  
QUARTER EXPERIENCE.

7. ON SUPPLY SIDE OECD DATA WERE VERY CLOSE TO THAT USED IN  
OUR "WORLD OIL MARKET IN 1974" PAPER. BUSHNELL RAISED  
POSSIBILITY THAT MARKET OVERHAND, RATHER THAN PROVOKING  
PRODUCER SUPPLY CUTS AS SUGGESTED BY RHEINFRANK OF  
SECRETARIAT,MIGHT RESULT IN A GRADUAL LOWERING OF PRICES  
IF EXCESS SUPPLY TURNS OUT TO BE CONCENTRATED IN ONE OR  
TWO PRODUCER COUNTRIES. THIS VIEW WAS NOT CHALLENGED.  
HE NOTED HOWEVER THAT SUPPLY DECISIONS HAVE HEAVY POLITICAL  
ELEMENT AND THIS TOO CREATES ATMOSPHERE OF MARKET UN-  
CERTAINTY. UK POINTED OUT THAT PRICES MAJOR POLITICAL ISSUE  
FOR PRODUCERS, TOO, AND THE DECISION OF SAUDIS IS KEY.

8. SECRETARIAT SOLICITED WRITTEN COMMENTS FROM MEMBERS ON  
THE SHORT TERM PAPER BY MAY 11 FOR REDRAFT TO APPEAR  
AROUND MAY 30. DISCUSSION OF CHANGES IN REFINERY CAPACITY  
AND IMPLICATIONS FOR STOCKS INVITED IN COMMENTS. MARRIS  
TOLD BUSHNESS PRIVATELY HE FELT REVISED PAPER BY END MAY  
TOO EARLY UNLESS ECG MEMBERS WANT REVISION FOR EARLY JUNE  
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ECG MEETING AND PREPARED PROVIDED DATA ON CRASH BASIS.  
STRAUSZ-HUPE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 MAY 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**TAGS:** ENRG, OECD  
**To:** STATE  
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